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SUBJECT: COSTA RICA - 2006 REPORT ON INVESTMENT DISPUTES AND
EXPROPRIATION CASES

REF: SECSTATE 060294

COSTA RICA

11. (U) SUMMARY. The Embassy is aware of two outstanding American business claims against the Government of Costa Rica (GOCR). Since our last report in January 2005, the GOCR has made little effort to resolve these investment disputes despite Embassy efforts to urge conciliation or arbitration to resolve both cases. There were rulings on motions, however both cases are ongoing. President Oscar Arias took office May 8, 2006, and it is not yet known how the new administration will respond. The claimant designation is the same as used in the 2005 report. END SUMMARY.

EXPROPRIATIONS

CLAIMANT C

12. (U) The AMCIT lands were expropriated and held for eight years after which the GOCR returned the property and indicated a willingness to consider compensation for lost income based on an appraisal. The appraisal estimated that ranch revenue of 11 million USD was lost during the confiscation. The GOCR balked at the amount and has left the case unresolved for the last 10 years.

13. (U) Claimant told the Embassy he plans to pursue arbitration again with the new GOCR administration that took office May 8, 2006. The new Minister of Justice has shown interest in resolving the issue and requested copies of recent documents furnished by the interested parties to the Embassy. Claimant C contacted the mission on May 23, 2006 to report that he will be visiting with the Minister's advisors as soon as possible to reopen his case with the GOCR.

Business Disputes

CLAIMANT E

14. (U) An American oil company was granted a concession for offshore exploration. When the previous administration came into office in 2002, it announced that offshore oil production would not be allowed. The claimant pursued legal

recourse for damages suffered when the concession contract was cancelled. In different rulings the courts have found in favor of the claimant at times and the GOCR in others. Following a court decision in favor of the claimant for damages, the GOCR responded in January 2005 by declaring the claimant in breach of contract for non-performance. In April 2005, the claimant responded to the breach of contract charge by counter-suing the GOCR. The claimant countered that non-performance was caused by the original GOCR finding that environmental impact studies were inadequate, which delayed work. On May 29, 2006 Claimant told the Embassy he plans to keep the court case alive while simultaneously pursuing a negotiated settlement with the new GOCR administration.

IDENTIFICATION OF CLAIMANTS

¶5. (SBU) Claimant C: Rancho Gessling, S.A.
Claimant E: Harken Energy Corporation/MKJ
FRISBIE